



Doing Business In El Salvador: A Country Commercial Guide for U.S. Companies

Chapter 4: Leading Sectors for U.S. Export and Investment

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2008. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

Agricultural Sectors

- [Agricultural Sector](#)
(Consumer-Oriented Products, Wheat, Rice, Corn, Soybeans)

Commercial Sectors

- [Automotive Parts and Service Equipment \(APS\)](#)
- [Dental Equipment \(DNT\)](#)
- [Printing and Graphics \(PGA\)](#)
- [Travel and Tourism \(TRA\)](#)

Agricultural Sectors

[Return to top](#)

1) CONSUMER-ORIENTED PRODUCTS

OVERVIEW:

El Salvador is a unique, dynamic market that is ranked as one of the most transparent business climates in all of Latin America. Most large importers/distributors are members of the [Salvadoran Distributors Association](#) (ADES; <http://www.adess.org.sv/>). ADES manages the relationship of its members with local retailers, wholesalers and supermarkets. The Salvadoran consumer is very familiar with U.S. products and is an avid purchaser of quality goods.

Distribution of consumer-ready foods is carried out through a number of channels. Supermarkets are the principal outlets, but a fair amount is moved through wholesalers who may be supermarket owners themselves or who may be middlemen delivering products to smaller stores. Distributors normally handle products on an "exclusive" basis, most often as representatives of a line of products. Direct sales are also a way of doing business, but having a local distributor facilitates the operation and also provides solid customer service.

Salvadorans spend approximately 43 percent of their income on food.

U.S. exports to El Salvador in the consumer-oriented product category were a record \$60.7 million in 2006. January-November 2007 exports reached \$56.6 million, 3.3% higher than in the same period 2006.

The Salvadoran market may be significantly larger than portrayed by U.S. export data. A high percentage of El Salvador's imports of consumer-oriented products are actually registered as imported by Guatemala. The main reason is that many containers come through Guatemala's Santo Tomas port and even though they are in-transit to El Salvador, local customs officials tally them as Guatemalan imports.

It is estimated that 49 percent of the population live in urban areas. There are four major cities: San Salvador, San Miguel, Santa Ana and Sonsonate. The capital city of San Salvador accounts for approximately one-third of the country's 6.8 million population (2006 estimated data).

Households earning \$ 400 to \$ 1,500 per month and above are considered to be in the middle to middle-upper income classes. There are approximately 460,000 households in this category and, as might be expected, 60 percent reside in urban areas. It is estimated that about 1.2 million people or 20 percent of the population is middle class.

Growth in the supermarket industry continues at a rapid pace, mainly in the working class areas of the capital and in towns and cities with populations of 50,000 to 250,000. Consumers are increasingly purchasing in supermarkets and moving away from the traditional open-air markets or mom-and-pop stores. It is estimated that approximately 40 percent of food sales are made in supermarkets.

BEST PRODUCTS & SERVICES:

Processed Fruit and Vegetables

Breakfast Cereals

Pancake mixes

Pet Foods (Dog and Cat)

Meat Sausages

Wine

Ramen Style Noodle Soups

Dairy Products

Fresh and Frozen Potatoes, and Hash Browns

Salad Dressings

Apples

Grapes

Stone Fruit

Pork Cuts for Hotel/Restaurant/Institutional (HRI) and Retail

Beef Cuts for HRI and Retail

Sardines

Snacks (including candies and chocolates)

Cookies

Food Processing Ingredients (i.e. raisins, concentrated juice, shelf extenders)

*Selection criteria are based on: USDA/FAS Country Strategy Statement (CSS), market surveillance, and suggestions by industry players.

OPPORTUNITIES:

More than 2.5 million Salvadorans reside in the U.S., and they annually remit approximately 3.6 billion dollars to relatives in El Salvador. The remittances in turn raise the disposable income and expenditures of Salvadoran consumers. Many Salvadorans have become "Americanized". The typical consumer believes that U.S. products are of superior quality, and is generally willing to pay a premium price. Nevertheless, the relatively high price of U.S. products can be a constraint to increased market share and attracting new customers. In addition, while opportunities exist for U.S. suppliers, competition from Central America, Mexico, Chile and the European Union (EU) is strong.

In summary, there are at least 1.2 million consumers or 20 percent of the population who are buying U.S. consumer-ready products. With an increase of housewives joining the labor force and a decline in the number of domestic employees to assist in food preparation, the demand for convenience and fast foods will increase. The positive association with U.S. brands is a major advantage over competitive products from other countries. All distributor and supermarket management agree that the Salvadoran consumer has brand loyalty. In addition, as the market grows, an expansion of foreign supermarket chains and a consolidation of local and foreign ones continue to take place. This trend will definitely increase the demand for imported products into the local market.

RESOURCES:

<http://www.fas.usda.gov/>

<mailto:Miguel.Herrera@fas.usda.gov>

2) WHEAT

OVERVIEW:

Most of the wheat processed by Salvadoran mills comes from the United States, although some Canadian wheat is imported. Average annual imports of U.S. wheat are 240,000 metric tons. In January-November 2007, U.S. wheat imports reached US\$27.0 million.

BEST PRODUCTS & SERVICES:

Bulk Wheat – DNS, SRW and HRW varieties

OPPORTUNITIES:

Bakery consumption has increased tremendously, mainly due to the availability of fresh bakery centers in all major supermarket chains. Growth in Convention Tourism is also helping boost consumption of bakery products.

Bakery manufacturers are very optimistic about free trade and believe that the Central America – Dominican Republic – United States Free Trade Agreement (CAFTA-DR) is providing growth opportunity.

RESOURCES:

<http://www.fas.usda.gov/>

<mailto:Miguel.Herrera@fas.usda.gov>

3) RICE

OVERVIEW:

El Salvador is not self sufficient in rice production and needs to import from other countries, especially the United States, to meet demand. Actual local demand is estimated at approximately 115,000 metric tons of rough rice, of which 27 percent is covered by local production. Typically, El Salvador imports rough rice to keep rice mills operating throughout the year. However, small quantities of imported milled rice have recently reached local supermarket chains to fulfill upscale consumer demand. El Salvador has officially abolished the use of a price-band mechanism to assess import duties for basic grains. CAFTA-DR established Tariff Rate Quotas (TRQs) for rice (see Opportunities).

BEST PRODUCTS & SERVICES:

Rough rice

Milled parboiled rice

OPPORTUNITIES:

Rice production is decreasing at a fast pace, not only in El Salvador but also in the rest of the region. Under CAFTA-DR, tariffs will be eliminated and TRQ established as follows: 18-year duty phase-out, initial TRQ of 61,000 metric tons (MT) for rough rice, growing by 2% per year and initial TRQ of 5,250 MT for milled rice, growing by 375 MT per year for the first five years, 1,000 MT increase in year 6, and an annual 325 MT increase thereafter.

RESOURCES:

<http://www.fas.usda.gov/>

<mailto:Miguel.Herrera@fas.usda.gov>

4) CORN

OVERVIEW:

Since the 1960's, El Salvador has been an important market for U.S. yellow corn, used almost exclusively by the poultry and animal feed industries. The snack processing industry is also a major importer of hard endosperm corn. Imports of yellow corn from the United States cover almost all local demand.

BEST PRODUCTS & SERVICES:

Yellow corn - #2 for animal feed and Hard Endosperm for snack manufacturing.

OPPORTUNITIES:

The food-processing sector in El Salvador is not as developed as in Guatemala or Costa Rica. However, snack food production is at the top of the list in this sector. Yellow corn is a main ingredient in the snack manufacturing process.

The DIANA and Bocadeli brands produced in El Salvador offer respectable quality for the price, and have roughly 75 percent of the market. In addition, DIANA is the largest snack producer in Central America and is already exporting certain products to ethnic markets in the United States.

The poultry and dairy sectors are also major users of yellow corn for feed mix.

CAFTA provides for a yellow corn Tariff Rate Quota (TRQ) of 350,000 metric tons (MT) with a 5 % growth per year with a 15-year duty phase-out. A fixed part of the TRQ will be subject to a performance requirement, which will be eliminated in 15 years. White corn was also granted a TRQ of 35,000 MT under CAFTA. There is a growing market for white corn flour to make “tortillas.”

RESOURCES:

<http://www.fas.usda.gov/>

<mailto:Miguel.Herrera@fas.usda.gov>

5) SOYBEANS

OVERVIEW:

El Salvador does not produce any soybean meal, thus, all demand must be met with imports. The poultry and livestock sectors use the product as feed. Commercial trade is growing quickly due to the high demand for poultry products. In January-November 2007, soybean meal imports reached US\$40.5 million. El Salvador's poultry industry is the most developed in the region and is quickly increasing production to supply demand by other Central American neighbors, particularly Honduras.

BEST PRODUCTS & SERVICES:

Soybean meal

OPPORTUNITIES:

Dairy production is increasing due to government incentives and sanitary regulations that provide protection against contraband cheese from Nicaragua and Honduras. Soybean meal is an important ingredient used in cattle feed mix. CAFTA provides immediate access for soybean meal.

RESOURCES:

<http://www.fas.usda.gov/>

<mailto:Miguel.Herrera@fas.usda.gov>

Agricultural Sector - Statistics

Crop (1000 MT)	2005			2006			2007 (Estimated)		
	Production	Imports	Consumption	Production	Imports	Consumption	Production	Imports	Consumption
Corn 1/	726	463	1,187	741	577	1,260	835	375	1,260
Rice 2/	17	55	75	20	55	75	20	55	77
Wheat	0	241	243	0	238	239	0	240	241
Soybean	0	143	142	0	176	177	0	170	171

Meal									
------	--	--	--	--	--	--	--	--	--

1/Production is White, and Imports/Consumption is Yellow and White

2/Milled

Commercial Sectors

Automotive Parts and Service Equipment (APS)

Overview

[Return to top](#)

Parts and Accessories of Motor Vehicles

	2005	2006	2007
Total Market Size	31.4	38.2	44.3
Total Local Production	N/A	N/A	N/A
Total Exports	1.2	1.2	1.7
Total Imports	32.6	39.4	46
Imports from the U.S.	9.5	11.4	14.4

Source: Central America Trade Statistic System, and Central Bank of El Salvador.
Statistics in millions of dollars. SAC 8708 and 8714.

As in previous years, this sector has been identified as one of the most important sectors for U.S. exporters since El Salvador imports almost all of its vehicle parts and accessories.

El Salvador is steadily increasing its market demand for parts and accessories. There are new trends in the market that require the use of these parts and accessories. "Tuning" is now a term very well known and used by most Salvadorans; this esthetic and engine modification of vehicles has become a true passion for many vehicle owners. Other trends that result in an increase in the demand of parts and accessories include "drifting;" each time, more and more vehicle and motorcycle owners gather to show their new abilities. Also, races for the different types of vehicles are taking place and gaining popularity. The market has evolved to a new phase that not only requires that the vehicle transports, but also that the vehicle reflects the personality of the owner. Several local magazines provide constant updates on these trends. The annual local trade show called Auto Expo puts together all vehicle related sectors and auto fanatics and presents to the general public the new auto trends and fashions. U.S. companies exhibit at Auto Expo through their local authorized representatives.

Another reason why this sector is an excellent business opportunity is that Salvadoran vehicles deteriorate faster and need more parts in order to maintain active use. This is due to poor maintenance of streets and roads, increasing traffic, disorganized public transportation, use of old vehicles, and importation of used vehicles. Currently, 90% of used vehicles purchased in El Salvador are imported from the United States and are bought directly from salvaged car auctions to be repaired locally and then sold. These cars require continuous maintenance and replacement services. Mechanic and repair shops are frequently purchasing parts and accessories from local automobile parts importers, as well as automotive equipment usually imported directly for use in their shops. In comparison to previous years, the demand for used imported vehicles has decreased by 5%, since well established, reliable distributors with good reputations are now distributing new Chinese brands of economical vehicles (e.g, Chery, Great Wall, Jinbei, Zot Ye, Dongfeng, and JMC) and are offering competitive prices and credit lines.

Public transportation service buses/microbuses are old and require repair in order to continue providing the much-needed public transportation service. Most spare parts and accessories to keep the public transportation fleet working are imported. According to the Vice Minister of Transportation, 80% of the Salvadoran population uses this public transportation service.

There are approximately 655,000 vehicles registered in the country. 49% of total registered vehicles are concentrated in the Department of San Salvador. 67.9% of registered vehicles are Japanese and in second position by country of brand 12.24% of vehicles are Americans. Chevrolet and Ford are the most sold US brands.

Since 2003 the sale of new vehicles in El Salvador has been steadily increasing. A total of 15,110 new vehicles were sold during 2005. In 2006, a total of 16,095 new vehicles were sold and in 2007 almost 18,000 new vehicles were sold.

Importers, distributors, and end users are receptive to U.S. auto parts and accessories due to the products' quality and warranty, and geographic proximity. Nevertheless, the industry is extremely price oriented and this means there is strong competition in sales of parts and accessories from other countries like Taiwan and Brazil.

Best Prospects/Services

[Return to top](#)

Accessories, engines, filters, accumulators, wheels, radiators, sound systems, alarms, mufflers, tires, tire repair, electronic diagnostics, tire balancing, compressors, clutches, steering wheels.

Opportunities

[Return to top](#)

There is no significant automotive parts and accessories production in the Salvadoran economy and thus, almost all parts are imported. The U.S. Central America Free Trade Agreement (CAFTA), implemented in El Salvador on March 1, 2006, provides a broader opportunity for the U.S. industry, since import tariffs for parts under SAC 8708 were automatically reduced to zero after CAFTA implementation. For Vehicle Accessories under SAC 8714, 57% of product categories already had 0% tariff and 14% of product categories became 0% after having a 5% tariff. The remaining product categories will be decreasing in tariff rates in the following 9 years. Also, American auto brands have been steadily increasing their units in the market over the past several years, and spares are needed. Salvadorans recognize the value of quality parts made in the U.S.

Considerations for potential opportunities:

- 1- Increased environmental awareness and concern to keep cars in better condition to avoid polluting. This will require purchase of additional parts and their necessary equipment and machinery for installation.
- 2- The law of Ethanol (bio-fuels) is estimated to be approved in 2008. With sufficient bioethanol, Flexi Fuel vehicles could be imported in El Salvador in the future.

3- High prices of gasoline and diesel make people also look for ways to make their engines more efficient. These types of products, if at competitive prices, have good opportunity in the market.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The Department of Commerce in El Salvador will be promoting two shows related to the automotive industry during 2008. Through this promotion, Salvadoran buyers are registered with the Commercial Section to attend the following trade shows:

- APTA Expo 2008, San Diego, CA, October 6-8, 2008,
<http://www.apta.com/expo2008>
- AAIW 2008: SEMA and APPEX, Las Vegas, NV, November 4-7, 2008,
<http://www.aaiwshow.com>

Resources

[Return to top](#)

Vice Ministry of Transportation: <http://www.mop.gob.sv/vmt.php>

Salvadoran Association of Auto Parts Importers (Asociación Salvadoreña de Importadores de Repuestos Automotrices): asira@salnet.net

Salvadoran Association of Distributors of Vehicles: asalve@integra.com.sv

Cecilia de Avila, Commercial Assistant: cecilia.avila@mail.doc.gov or CS San Salvador: san.salvador.office.box@mail.doc.gov

Dental Equipment (DNT)

Overview

[Return to top](#)

	2005	2006	2007 (e)
Total Market Size	12.95	13.69	14.19
Total Local Production			
Total Exports	1.16	1.26	1.66
Total Imports	14.11	14.95	15.85
Imports from the U.S.	7.4	4.2	4.5

(Source: Central America Trade Statistic System, and Central Bank of El Salvador. Statistics in millions of dollars)

Statistics based on HTCs: 3004.40.10, 3006.40, 3306.10, 3407.00, 3910.00, 9018.32, 9018.41, 9018.49, 9021.21, 9021.29, 9022.13, and 9022.21.

Dental services are provided by the Ministry of Health, Salvadoran Institute of Social Security (ISSS, Instituto Salvadoreño del Seguro Social), and private clinics. Government institutions purchase equipment and devices through open biddings published in the main local newspapers. US companies need a specialized distributor or representative to enter the market to sell to government institutions.

The dental equipment market amounted to \$13.6 million in 2006, and it is expected to grow by 10% in 2008, according to local doctors and distributors. The Salvadoran market is highly receptive to products coming from the United States. Doctors follow closely the development in techniques, technology, equipment, devices, and materials used in their profession. As of June 2007, there were 4,584 graduated odontologists registered at the Odontology Profession Surveillance Board (Junta de Vigilancia de la Profesion Odontologica). This is an autonomous institution, under the National Health Council, which is responsible to regulate and oversee that dentistry services provided to the Salvadoran population are according to the country's health regulations.

The U.S. products accounted for 29% of the market share in 2006, with the main competitors being Mexico, Germany, and Brazil. There is no local production. U.S. products are preferred due to quality, price, customer awareness, and proximity.

Best Products/Services

[Return to top](#)

- Special materials used in dentistry
- Cements
- Modeling pastes
- Resins
- Anesthetics
- Instruments

Opportunities

[Return to top](#)

An important trend in the dental equipment and supplies market is the improvement in services that hospitals and doctors are giving to the population. Also, there is an increase in visits expected from Salvadorans living in the U.S. who come to the country to visit their relatives.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The Department of Commerce in El Salvador will be promoting two shows related to the dental industry during 2008. Through this promotion, Salvadoran buyers are registered with the Commercial Section to attend the following trade shows:

- ADA Meeting, October 16-19, 2008, San Antonio, TX, <http://www.ada.org/prof/events/session/index.asp>
- Greater New York Dental Meeting, November 29-December 4, 2008, New York City, www.gnydm.com/

Resources

[Return to top](#)

National Health Council: www.cssp.gob.sv

Odontology Profession Surveillance Board: www.jvpo.gob.sv

Ministry of Health: www.mspas.gob.sv

Salvadoran Social Security Institute (ISSS): www.iss.sv

Lidia Sosa, Commercial Assistant: lidia.sosa@mail.doc.gov or CS San Salvador: san.salvador.office.box@mail.doc.gov

Printing and Graphics (PGA)

Overview

[Return to top](#)

HS 8439 through 8443– Including different machinery and equipment.

	2005	2006	2007
Total Market Size	31.7	35.9	64.5
Total Local Production	N/A	N/A	N/A
Total Exports	3.1	1.7	1.9
Total Imports	34.8	37.6	66.4
Imports from the U.S.	18.8	18.8	45.3

Source: www.elsalvadortrade.com.sv

Statistics in millions of dollars.

The printing and graphics industry in El Salvador provides two types of market opportunities for U.S. companies. The country imports paper and cardboard paper and also imports all the related machinery, equipment, and supplies for the processing of paper. Imports of paper and machinery have been steadily increasing and will continue increasing.

For HS code 48 that includes paper and cardboard paper, in 2007 El Salvador imported \$227 million. The United States was the number one supplier, exporting to El Salvador US\$87 million, followed by Mexico with US\$30 million, and Guatemala with US\$25 million. El Salvador's openness to importing from new markets and utilizing trade agreements provides for more competition from suppliers from all over the world.

El Salvador has local paper production, but this production is extremely low. From the imported paper and cardboard, local companies in the printing and graphics sector produce newspapers, advertising materials (brochures, billboards, promotional flyers, posters, banners), packaging, labeling, magazines, etc. Salvadoran companies import the different products under HS Code 48 and process them for local consumption and for exporting them to different countries, mostly to Central America, Mexico, and the Caribbean.

Due to the market's dynamism, machinery and equipment are always needed. Companies with capacity to purchase new equipment always import. El Salvador is a net importer of equipment, machinery and printing supplies. Small and medium sized companies purchase used equipment from other local companies or import used equipment. Spare parts to maintain, repair, and recondition machinery are imported. Salvadoran processing/printing companies are highly interested in learning about new trends in the industry to update their companies. Import duties for most machinery and equipment have zero import tariffs.

Best Prospects/Services

[Return to top](#)

Machinery and equipment, spare parts, ink, ink-jet printing equipment, plates, software, films, paper, and cardboard paper.

Opportunities

[Return to top](#)

- As a result of CAFTA implementation, local manufacturers of different products have demanded new packaging to export to the United States. This need has increased the local market production for packaging and therefore of paper, machinery, supplies, parts and equipment to manufacture this packaging.
- Market competition and advertising campaigns involving printed promotional materials have increased demand for graphic design software, paper, and printing supplies.
- El Salvador will have Presidential and municipal elections during 2009 and the printing and graphics industry will be a key provider of promotional printing materials to support the political campaigns of the different parties. Most of these materials are printed locally.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The Department of Commerce in El Salvador will be promoting two shows related to the Printing and Graphics industry during the coming year. Through this promotion, Salvadoran buyers are registered with the Commercial Section to attend the following trade shows:

- Pack Expo 2008: Chicago, IL, November 9-13, 2008, <http://www.packexpo.com>
- Graphics of the Americas 2009: Miami, FL, February 26-28, 2009, <http://www.graphicsoftheamericas.com>

Resources

[Return to top](#)

Coexport, Corporation of Exporters: www.elsalvadortrade.com.sv
Secretaría de Integración Económica Centroamericana (SIECA): www.sieca.org.gt
Cecilia de Avila, Commercial Assistant: cecilia.avila@mail.doc.gov or CS San Salvador: san.salvador.office.box@mail.doc.gov

Travel & Tourism (TRA)

Overview

[Return to top](#)

	2006	2007(e)
Salvadoran arrivals to the US	153,835	158,000

Source: U.S. Department of Commerce, ITA, Office of Travel & Tourism Industries (OTTI)

Salvadoran visitations to the U.S. rose by 3% in 2007, compared to 2006 figures, according to the latest statistics.

El Salvador is ranked 30 among the top 40 Countries traveling to the United States. Historically Salvadorans have traveled often to the U.S. to visit family members, and for tourism or business purposes. The United States is the main trading partner for El Salvador; and there are an estimated 2.5 million Salvadorans living in the U.S.

The main destinations are the states of Florida, California, Texas, Virginia and Maryland; and cities such as New York, Long Island, Washington D.C, Boston, and Chicago.

The U.S. airlines American, Continental, Delta and United have operations in the country and offer daily flights to gateway cities and connections to the entire United States. Additionally, TACA Airlines, with headquarters in El Salvador, is the main player in the market offering flights to 9 different cities in the U.S.

Best Prospects/Services

[Return to top](#)

- Trade Shows and Exhibitions
- Hotel Operators and Services
- Car rentals
- Entertainment Industry

Opportunities

[Return to top](#)

Promotion of the U.S. as a tourism destination by organizing a Visit USA Committee in El Salvador; recruiting delegations for key travel and tourism trade events such as Pow Wow and La Cumbre; and conducting outreach with local media and travel partners. The Commercial Service is working with local media to highlight destination promotions.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The Department of Commerce in El Salvador will be promoting two events related to the tourism industry during 2008.

- Pow Wow, May 31-June 4, 2008, Las Vegas, NV, <http://www.tia.org/powwow/index.html>
- La Cumbre, September 3-7, 2008, Las Vegas, NV, <http://www.lacumbre.com/en>

Resources

[Return to top](#)

Office of Travel & Tourism Industries: www.tinet.ita.doc.gov

Travel Industry Association: www.tia.org

Lidia Sosa, Commercial Assistant: lidia.sosa@mail.doc.gov or CS San Salvador: san.salvador.office.box@mail.doc.gov

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest U.S. **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at (800) **USA-TRADE**, or go to the following website: <http://www.export.gov>.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.